

Message Text

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PAGE 01 STATE 237014

64

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FM SECSTATE WASHDC

TO AMEMBASSY ANKARA PRIORITY

INFO AMEMBASSY ATHENS

AMEMBASSY NICOSIA

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY BONN

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E.O. 11652: N/A

TAGS: MARR, MASS, TU

SUBJECT: TERMS OF FEDERAL FINANCING BANK (FFB) LOAN FOR
TURKEY

1. IN RESPONSE TO QUESTIONS POSED EARLIER BY AMBASSADOR
ESENBEL, EUR DEP. ASST. SECY LAINGEN REVIEWED TERMS OF FFB
LOAN AGREEMENT WITH TURKISH CHARGE NURES SEPT 22. ESENBEL
HAD ASKED IF THE REPAYMENT PERIOD FOR THE FFB LOAN COULD
BE EXTENDED TO TEN YEARS PLUS THE TWO-YEAR GRACE PERIOD,
RATHER THAN EIGHT YEARS PLUS THE TWO-YEAR GRACE PERIOD

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PAGE 02 STATE 237014

SPECIFIED IN THE LOAN AGREEMENT.

2. LAINGEN NOTED THAT THE USG COULD NOT GO BEYOND THE TWO-YEAR GRACE PERIOD AND EIGHT-YEAR REPAYMENT PERIOD ALREADY OFFERED FOR THE FFB LOAN. NORMALLY, HE SAID, FFB LOANS WERE ISSUED FOR 5- TO 8-YEAR TERMS INCLUDING GRACE PERIOD. TEN-YEAR LOANS WERE ISSUED ONLY IN EXCEPTIONAL CASES. LAINGEN EXPLAINED THAT ISRAEL HAD RECEIVED LONGER TERMS BUT THESE WERE SPECIFIED FOR THAT COUNTRY IN LAW. TURKEY WAS NOT ONLY RECEIVING THE MAXIMUM TEN-YEAR LOAN TERM BUT ALSO HAD BEEN AUTHORIZED TO FINANCE PURCHASE OF SPARE PARTS UNDER THE FFB LOAN WHICH WAS NOT ORDINARILY ALLOWED. AN ATTEMPT TO ADD TWO YEARS TO THE REPAYMENT PERIOD WOULD RISK DRAWING UNWELCOME CONGRESSIONAL CRITICISM

TO THE FFB AND FMS GUARANTIED LOANS TO TURKEY.

3. NURES TOOK CAREFUL NOTES OF THE POINTS MADE BY LAINGEN AND SAID HE WOULD REPORT THE USG POSITION IMMEDIATELY TO ANKARA. KISSINGER

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